

Economic challenges of entrepreneurs in the Republic of Serbia operating in the most prospective economic activities

Економски изазови предузетника у Републици Србији који послују у најперспективнијим привредним делатностима

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Abstract: High unemployment rate, low level of economic activity and low living standards are some of the most significant problems that the Republic of Serbia has been facing in the last few years. The development of small and medium enterprises and entrepreneurs as great potential to solve these problems to some extent is still not sufficiently exploited. Keeping in mind the importance of the development of this economy segment, this paper analyses the business economy of entrepreneurs by economic activities in 2018 in the Republic of Serbia to determine the economic activities that have the greatest prospects for entrepreneurship development in the future. The ratio analysis of operations was used as a starting point for comparative analysis. It was conducted using the data obtained from the *Annual Bulletin of Financial Statements* published by the Business Registers Agency for ten economic activities where entrepreneurs reordered the highest profitability in 2018. Using the entropy method and PROMETHEE method, the ranking of entrepreneurs according to economic activities was performed. The obtained results indicated that in 2018, the best-ranked entrepreneurs were those operating in Professional, Scientific, Innovative and Technical Activities, while the worst-ranked are entrepreneurs operating in Accommodation and Food Services.

Keywords: entrepreneurs, economic activity, ratio analysis, PROMETHEE method, entropy method.

JEL classification: L26, M21

Сажетак: Велика стопа незапослености, низак ниво привредне активности и низак животни стандард неки су од највећих проблема са којима се сусреће Република Србија у последњих неколико година. Развој малих и средњих предузећа и предузетника као велики потенцијал којим би се донекле решили ови проблеми још увек није довољно искоришћен. Имајући у виду значај развоја овог сегмента привреде, у овом раду је анализирано пословање предузетника према секторима делатности у 2018. години у Републици Србији, како би се одредиле привредне делатности које имају највећу перспективу за развој предузетништва у будућем периоду. Као полазна основа за компаративну анализу коришћена је раџио анализа пословања. Она је спроведена на бази података из „Годишњег билтена финансијских извештаја“ који објављује Агенција за привредне регистре за десет привредних делатности где су предузетници

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остварили najveću profitaбилност. Применом ентропијске и PROMETHEE методе извршено је рангирање предузетника према секторима делатности. Добијени резултати указали су на то да су у 2018. години најбоље рангирани предузетници у сектору Стручне, научне, иновационе и техничке делатности, а најлошије рангирани предузетници који послују у сектору Услуге смештаја и исхране.

Кључне речи: предузетници, привредна делатност, рачунарска анализа, PROMETHEE метод, ентропијски метод.

ЈЕЛ класификација: L26, M21

Introduction

As a transition country, the Republic of Serbia is facing problems of high unemployment, declining economic activity, low competitiveness, and lack of investments. These problems have been present mainly due to the inefficient and slow pace of reform processes to establish a market economy (Labus, 2020; Uvalić et al, 2020). This primarily refers to the inefficient privatization of state-owned and social enterprises, which was not accompanied by opening many new private companies (Ivanović & Kufenko, 2020).

In recent years, entrepreneurs have become significant factors in economic growth and employment (Toma, Grigore, & Marinescu, 2013; Omoruyi et al, 2017; Petrović & Leković, 2019), and thus the competitiveness of the economy, especially in developing countries (Boso, Story, & Cadogan, 2013). In these economies, entrepreneurs are also viewed as the greatest contributors to transforming an economic system (Kahrović, 2020). So, the increase of the number of new entrepreneurs in Serbia as a developing economy can reduce unemployment (Tošović-Stevanović & Bogdanović, 2018) and contribute to more efficient resource allocation, primarily since a large number of entrepreneurs operate in labour-intensive economic activities (Aničić, Aničić, & Vasić, 2017). At the same time, newly established entrepreneurs create value added, increase the demand for products of other economic entities, thus contributing to the GDP growth and the improvement of national competitiveness (Filipović, Nikolić, & Cvetanović, 2015; Ivanović-Đukić & Lepojević, 2017; Munitlak Ivanović, 2012). It is particularly important if we consider that the Serbian economy lags behind European Union (EU) economies in terms of competitiveness. The reasons for that are low productivity, low quality of products and services, outdated technology and equipment, high maintenance costs, and low usage of modern management tools and techniques, which negatively impact employee motivation and productivity (Vukotić, Milivojević, & Zakić, 2018).

Entrepreneurship in Serbia has gone through many phases of ups and downs during its development. In order to provide support to future entrepreneurs, the Agency for Small and Medium Enterprises and Entrepreneurship was established, which represented the impetus for the development of an institutional framework to encourage the development of small and medium enterprises (SME) and entrepreneurs. Realizing the importance of these companies and the necessity for their development, the government has adopted specific supporting measures in the following three forms (Ilić, 2018):

1. development policies (laws and strategies),
2. development of supporting institutions (business incubators, clusters, technology centres, industrial zones, etc.)

3. direct financial support programs (grants, loans) and various forms of non-financial assistance (training, information, counselling).

Despite the measures taken, due to the decline in economic activity, the unemployment problem is still present and can be solved by entrepreneurship development. The potentials for entrepreneurship development are still not sufficiently exploited. The main reasons for this are difficulties in access to finance, high operating costs, inability to connect with national, regional, and international markets (Majláth, Kelemen-Erdős, & Valocikova, 2019) and insufficient education of future entrepreneurs (Marčetić, Prlinčević, & Grujić-Vučkovski, 2020). These and many other factors have led to numerous oscillations in the SME economic activity and entrepreneurship development. However, the encouraging fact is that entrepreneurs still have a significant share in the economic structure of the Republic of Serbia (Radukić & Petrović, 2019). In this sense, this paper aims to identify the most prospective economic activities in which entrepreneurs operate and economic activities in which entrepreneurs face significant business constraints.

1. Methodology

Considering the importance of entrepreneurship for economic development, the main focus of this paper is to analyse the economic performance of entrepreneurs operating in the Republic of Serbia. An entrepreneur is a legally capable natural person who performs an activity to generate income and is registered as such according to the law on registration (Company Law of the Republic of Serbia). As numerous company laws changes have been adapted over time to bring them in line with EU legislation, this definition of entrepreneurs is comparable to that used in the EU. To achieve the defined aim of the paper, the authors selected the groups of entrepreneurs operating in ten economic activities where the highest profitability was recorded in 2018 and performed a comparative analysis of their economic performance. The most profitable economic activities are taken into account to identify the strengths and weaknesses of the most perspective economic activities. The data at the economic activity level are obtained from the *Annual Bulletin of Financial Statements* published by the Business Registers Agency. Each business entity is obliged to submit its balance sheet and financial statement to the Business Registers Agency at the end of each year. It summarizes the data based on several criteria: economic activity, region, size, etc. The economic entities are grouped in economic activities using the Statistical Classification of Economic Activities in the European Community, Rev. 2 (2008) (NACE Rev. 2). According to the mentioned bulletin, in 2018, 18.407 entrepreneurs were operating in the Republic of Serbia. By summarizing data collected, Business Registers Agency publishes balance sheets and financial statements at the economic activity level. Appropriate items from these financial reports are used to calculate ratios. The most profitable economic activities in 2018 (taken into account in this analysis) are: Manufacturing; Wholesale and retail trade; repair of motor vehicles and motorcycles; Professional, scientific, and technical activities; Construction; Transportation and storage; Human health and social work activities; Accommodation and food service; Financial and insurance; Administration and support service; Agriculture, forestry, and fishing. The comparative analysis of the

entrepreneurs from the observed economic activities was conducted by combining the PROMETHEE and entropy methods.

1.1. PROMETHEE method

Author Brans initially developed the PROMETHEE method (Brans, Mareschal, & Vincke (1984). Later, it was improved by Brans & Vincke (1985) and Brans & Mareschal (2005). This technique belongs to the group of "outranking" methods, which compares two or more alternatives according to all given criteria to identify the preference, i.e. dominance of one alternative over others.

PROMETHEE method requires defining specific parameters for each alternative, necessary for ranking them based on the selected criteria. The parameters that should be defined for the application of this method are:

1. The direction of preference – whether the given criterion should be minimized or maximized;
2. Weight coefficients – indicate the importance of a specific criterion for calculating the net preference flow. It should be borne in mind that the sum of all weight coefficients is equal to one.
3. Preference threshold (p) – the smallest difference between the two observed alternatives according to some criteria which the decision-maker considers significant for decision making;
4. Threshold of indifference (q) – the largest difference between the two observed alternatives according to the specific criterion which the decision-maker considers irrelevant for decision making;
5. Preference function – converts the difference between alternatives a and b into the preference level, which ranges from 0 to 1, for each observed criterion. The preference level of alternative a comparing to alternative b , which is closer to zero, indicates that alternative b is better than alternative a according to the selected criterion. Conversely, if this number is closer to 1, alternative a is better than alternative b .

After defining the mentioned parameters, the PROMETHEE method is conducted through several steps, resulting in net preference flow (Brans et al., 1984; Brans & Vincke, 1985; Brans & Mareschal, 2005; Doan & De Smet, 2018; Sarrazin, De Smet, & Rosenfeld, 2018). Based on the net preference flow's obtained value for each alternative, their ranking from the best to the worst is performed. The value of the net preference flow ranges from -1 to +1. At the same time, the best-ranked alternative has the highest positive net preference flow, and the worst-ranked alternative has the highest negative net preference flow.

The advantages of this method over other "outranking" methods are reflected in how the problem is structured, the amount of data that can be processed, and the ability to quantify qualitative measures, good software support and the presentation of the obtained results (Ilić, 2017).

1.2. Entropy method

Finding the effective solution for a multi-criteria decision-making problem requires an adequate approach for determining the weight coefficients because of their significant influence on the ranking of alternatives. Weight coefficients can be defined subjectively and objectively, depending on the source of information for their determination (Hwang & Lin, 1987). The subjectively determined weight coefficients reflect the subjective attitudes of decision-makers based on their preferences obtained through interviews, surveys, and organized meetings. Objective weight coefficients are those obtained based on accurate information, such as a decision matrix (Chen & Yang, 2011). Considering that this paper aims to analyse an economic problem, where a comparative analysis of entrepreneurs' businesses from selected economic activities in the Republic of Serbia should be performed as objectively as possible, it is more appropriate to use an objective approach defining weights. One of the most commonly used methods for objectively determining weight coefficients is the entropy method (Hwang & Yoon, 1981; Zeleny, 1982).

The information entropy is a measure of the disorder of the system. It enables the determination of the amount of useful information in the created data set. If there is a big difference in the value of a specific indicator, the entropy is small. In this case, the analysed parameter provides more information, so the indicator's weight will be higher. On the other hand, if the difference is smaller and the entropy is larger, the relative weight of that indicator will be lower.

2. Results and discussion

2.1. Ratio analysis of entrepreneurs' business by economic activities

Ratio analysis is a central part of financial analysis. It is based on examining the relationship between logically related parts of financial statements to highlight and explain the key relationships on which depends the current and future financial position and capabilities of the company that is the subject of analysis. In practice, the most commonly used are liquidity ratios, activity ratios, profitability ratios, and debt ratios. In this paper, the mentioned ratio indicators are used to analyse the critical aspects of entrepreneurs' business in economic activities that recorded the highest positive net result in 2018, i.e., the most profitable.

Liquidity ratio - the indicators that monitor the liquidity of entrepreneurs in this paper are the current ratio (CR), quick ratio (QR), and networking capital per employee (NWC). The liquidity ratios by economic activities for 2018 were analysed to determine the liquidity of entrepreneurs operating in selected economic activities in the Republic of Serbia (see Table 1).

Table 1: Liquidity ratios of entrepreneurs by economic activities in the Republic of Serbia in 2018

Economic activities	Current ratio	Quick ratio	Networking capital per employee
Manufacturing	1.15	0.64	1184.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	1.27	0.46	1170.0
Professional, scientific, and technical activities	1.37	1.27	650.3
Construction	1.04	0.70	350.5
Transportation and storage	0.92	0.80	-364.2
Human health and social work activities	0.79	0.70	-551.3
Accommodation and food service activities	0.82	0.50	-372.8
Financial and insurance activities	1.79	1.69	651.5
Administration and support service activities	1.04	0.76	109.6
Agriculture, forestry, and fishing	0.92	0.60	-772.5

Source: the authors' calculations

The indicators shown in Table 1 indicate that the most favorable liquidity position has entrepreneurs operating in Financial and insurance according to the first two ratios. Due to many employees, this economic activity does not achieve the best results in terms of the third liquidity ratio. In addition, it should be emphasized that the values of liquidity ratios recorded in the Professional, scientific, and technical activities are also very favorable. Like in the economic activity mentioned above, the networking capital per employee is relatively low due to the many employees in this economic activity. The entrepreneurs operating in Wholesale and retail trade – repair of motor vehicles and motorcycles and Manufacturing are specific since the value of their networking capital per employee is very high, and they record a significant difference between the current ratio and quick ratio. The current ratio is at a satisfactory level with values of 1.27 and 1.15, respectively.

In contrast, the quick ratio is very low, i.e. 0.46 in the Wholesale and retail trade – repair of motor vehicles and motorcycles 0.64 in the Manufacturing economic activity. This situation results from the specificities of their business operations, which are based on holding and managing a large volume of inventories. Entrepreneurs operating in Human health and social work activities have the most unfavorable liquidity ratios. Agriculture, forestry, fishing and Accommodation, and food services are also characterized by very unfavorable liquidity ratios, indicating that these activities are faced with the problem of covering short-term liabilities from working capital.

Activity ratios, i.e. asset management indicators, measure the level of employment of assets and the degree of their exploitation. They are also called turnover ratios, and in this paper, the following ratios are used: customer turnover coefficient (CTC), average collection period (ACP), fixed assets turnover (FAT), and assets turnover (AR). To analyse the asset management indicators of entrepreneurs by economic activities the Republic of Serbia in 2018, Table 2 shows the values of these indicators for the observed activities.

Table 2: Activity ratios of entrepreneurs from selected economic activities in the Republic of Serbia in 2018

Economic activities	Customer turnover coefficient	Average collection period	Fixed assets turnover	Assets turnover
Manufacturing	2.15	167.25	1.34	0.48
Wholesale and retail trade; repair of motor vehicles and motorcycles	15.98	22.52	14.24	2.48
Professional, scientific, and technical activities	0.59	610.17	0.36	0.11
Construction	0.86	418.60	0.87	0.24
Transportation and storage	1.04	346.15	0.75	0.33
Human health and social work activities	0.18	2000.0	0.04	0.02
Accommodation and food service activities	11.13	32.35	2.16	0.98
Financial and insurance activities	9.33	38.59	2.33	0.23
Administration and support service activities	1.86	193.55	1.77	0.40
Agriculture, forestry, and fishing	2.28	157.89	1.41	0.54

Source: the authors' calculations

Based on the indicators shown in Table 2, it can be concluded that the Wholesale and retail trade holds the most favorable position according to all ratios; repair of motor vehicles and motorcycles economic activity. Entrepreneurs in this area have the highest customer turnover ratio, the shortest average collection period, the highest fixed assets turnover, and the highest assets turnover. The difference regarding the value of fixed assets turnover and assets turnover is particularly pronounced because this economic activity generates high revenues. On the other hand, it has a relatively low share of fixed assets in total assets. The Accommodation and food service activities also has favorable activity ratios. It is a consequence of good assets management in entrepreneurs' businesses operating in this economic activity. Entrepreneurs operating in Human health and social work activities have the most unfavorable asset management indicators. The customer turnover coefficient is as much as 15 times lower than the value of this indicator recorded in Wholesale and retail trade; repair of motor vehicles and motorcycles; repair of motor vehicles and motorcycles. In addition to this, the professional, scientific, and technical activities economic activity is characterized by very unfavorable activity ratios since all three observed turnover ratios are extremely low and the average collection period lasts over 600 days.

Profitability ratios show the profitability of the company, i.e. its ability to maximize profit with the lowest possible level of employed capital. In this paper, the following indicators are analysed: operating profit margin (OPM), net profit margin (NPM), return on total assets (ROA), return on equity (ROE), and efficiency coefficient (EC). For detecting the profitability of entrepreneurs' businesses operating in selected economic activities, the values of profitability ratios for 2018 were analysed (Table 3).

Table 3: Profitability ratios of entrepreneurs from selected economic activities in the Republic of Serbia in 2018

Economic activities	Operating profit margin (%)	Net profit margin (%)	ROA (%)	ROE (%)	Efficiency coefficient
Manufacturing	4.29	3.61	5.56	17.00	1.05
Wholesale and retail trade; repair of motor vehicles and motorcycles	2.37	2.00	5.33	26.00	1.03
Professional, scientific, and technical activities	25.96	12.11	21.35	55.00	1.34
Construction	7.56	5.35	7.27	30.00	1.08
Transportation and storage	5.94	5.13	7.80	28.00	1.06
Human health and social work activities	12.57	9.96	20.78	57.00	1.11
Accommodation and food service activities	1.58	2.19	4.77	26.00	1.03
Financial and insurance activities	-60.66	17.2	9.64	21.00	1.11
Administration and support service activities	6.99	4.23	8.27	57.00	1.07
Agriculture, forestry, and fishing	4.87	3.67	4.78	18.00	1.05

Source: the authors' calculations

Based on the profitability ratios shown in Table 3, it can be concluded that, according to most of the analysed indicators, the professional, scientific, and technical activities economic activity has the highest profitability. Interestingly, the operating profit margin is twice as high as the net profit margin in this economic activity, which indicates that entrepreneurs operating in this economic activity have recorded a loss based on financial operations and other activities. On the other hand, the entrepreneurs operating in the Financial and insurance activities have a negative and the lowest operating profit margin and the highest net profit margin compared to other activities. Accordingly, it can be concluded that these entrepreneurs record losses from doing their primary business activities, but they earn significant profit from financial transactions and other activities. The lowest values of almost all profitability ratios are recorded by entrepreneurs operating in Accommodation and food service economic activities.

Debt ratios show the relationship between owned and borrowed sources of financing, i.e. show the company's financial structure. In this paper, the efficiency of debt management is analysed based on the following two indicators: debt ratio (DR) and debt to equity ratio (DER). To examine how well entrepreneurs operating in selected economic activities managed their financial sources in 2018, the values of debt ratios for this year were considered (Table 4).

Table 4: Debt ratios of entrepreneurs from selected economic activities in the Republic of Serbia in 2018

Economic activities	Debt ratio	Debt to equity ratio
Manufacturing	67.49	2.08
Wholesale and retail trade; repair of motor vehicles and motorcycles	73.68	2.80
Professional, scientific, and technical activities	61.05	1.57
Construction	76.11	3.19
Transportation and storage	72.21	2.60
Human health and social work activities	63.82	1.76
Accommodation and food service activities	81.89	4.52
Financial and insurance activities	54.24	1.19
Administration and support service activities	85.37	5.83
Agriculture, forestry, and fishing	73.30	2.75

Source: the authors' calculations

Based on the debt ratios in Table 4, it can be concluded that the most favorable position according to the debt ratios held entrepreneurs operating in Financial and insurance activities. Although the indebtedness of this economic activity is relatively high, keeping in mind that almost half of its business funds are financed from borrowed sources. On the other hand, the economic activity with the most unfavorable indebtedness indicators is Administration and support service activities.

In the following section of the research, a comparative analysis of the entrepreneurs' performances in the analysed economic activities will be performed based on the results obtained by ratio analysis.

2.2. Ranking results

In order to conduct a multi-criteria analysis of the entrepreneurs operating in selected economic activities, it is necessary to reduce the number of indicators. In that way, the set of indicators that best reflects the analysed problem will be used for the analysis. The proper selection of indicators is of great importance for the final results of the research (Shannon, 1948). The first step in defining an adequate set of variables, the coefficient of variation and Pearson's correlation coefficient, were used. If the value of the coefficient of variation is higher than 0.1, the specific variable should be considered. After this, the correlation coefficient between pairs of indicators within each group of indicators was calculated. If the correlation coefficient between two indicators is lower than 0.7, both indicators should be considered because they have a different trend. On the other hand, the correlation coefficient higher than one indicates that two indicators follow almost the same trend, so one should be considered (He & Shang, 2017). The values of the coefficients of variation for the considered indicators are given in Table 4.

Table 4: Coefficients of variation for liquidity, activity, profitability, and debt ratios

Indicator	Coefficient of variation
<i>Liquidity ratios</i>	
Current ratio	0,27
Quick ratio	0,47
Networking capital per employee	3,32
<i>Activity ratios</i>	
Customer turnover coefficient	1,22
Average collection period	1,48
Fixed assets turnover	1,65
Assets turnover	1,24
<i>Profitability ratios</i>	
Operating profit margin	19,90
Net profit margin	0,76
ROA	0,66
ROE	0,51
Efficiency coefficient	0,08
<i>Debt ratios</i>	
Debt ratio	0,13
Debt to equity ratio	0,50

Source: the authors' calculations

The values of the coefficient of variation shown in Table 4 indicate that the efficiency coefficient should be excluded from further consideration because the coefficient of variation for this indicator is lower than 0.1.

The selection of indicators that will be taken into further analysis was conducted based on the results shown in Table 5. According to the value of the correlation coefficients, the following indicators were selected: quick ratio, net working capital, fixed assets turnover, average collection period, operating profit margin, net profit margin, ROA and debt to equity ratio.

Table 5: Correlation coefficients for the groups of indicators

	CR	QR	NWC	CTC	ACP	FAT	AT	OPM	NPM	ROA	ROE	DR	DER
CR	1												
QR	0,80	1											
NWC	0,68	0,23	1										
CTC				1									
ACP				-0,49	1								
FAT				0,81	-0,35	1							
AT				0,83	-0,43	0,96	1						

OPM								1					
NPM								-0,53	1				
ROA								0,27	0,64	1			
ROE								0,45	0,28	0,78	1		
DR												1	
DER												0,94	1

Source: the authors' calculations

As already mentioned, to conduct a multi-criteria analysis, it is necessary to define specific parameters for each indicator, which are shown in Table 6.

Table 6: Parameters of multi-criteria analysis for ranking the entrepreneurs by economic activities in the Republic of Serbia in 2018

	QR	NWC	FAT	ACP	NPM	OPM	ROA	DER
Direction of preference	Max	Max	max	min	max	max	max	max
Weighting Coefficient	0.09	0.11	0.09	0.10	0.10	0.30	0.14	0.08
Preference Function	Linear							
p – preference threshold	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
q – indifference threshold	0.03	0.03	0.03	0.025	0.03	0.03	0.03	0.03

Source: the authors' calculations

Based on Table 6, it can be noticed that the Visual PROMETHEE software package recommended using the Linear function for the given data, with the corresponding preference and indifference thresholds, which are determined based on the range of entered values. Weight coefficients were obtained using the entropy method. The highest weighting coefficient, and thus the largest differences between the indicators, was obtained for the operating profit margin. In contrast, the lowest weighting coefficient was obtained for the debt to equity ratio.

After defining the parameters of the multi-criteria analysis, the entrepreneurs from selected economic activities were ranked, and the ranking results are shown in Table 7. In addition to the rank, Table 11 shows the net preference flow (Phi), positive preference flow (Phi +) and negative preference flow (Phi-).

Table 7: Ranking of entrepreneurs by economic activities in the Republic of Serbia in 2018

Rank	Alternative	Phi	Phi +	Phi -
1	Professional, scientific, and technical activities	0.4056	0.6860	0.2801
2	Administration and support service activities	0.2476	0.5685	0.3209
3	Construction	0.1346	0.5130	0.3784
4	Human health and social work activities	0.0909	0.5157	0.4248

5	Financial and insurance activities	0.0509	0.5102	0.4592
6	Transportation and storage	-0.0163	0.4364	0.4527
7	Wholesale and retail trade; repair of motor vehicles and motorcycles	-0.1315	0.3976	0.5291
8	Manufacturing	-0.1389	0.3694	0.5082
9	Agriculture, forestry, and fishing	-0.2978	0.2862	0.5840
10	Accommodation and food service activities	-0.3455	0.2946	0.6400

Source: the authors' calculations

According to the results presented in Table 7, it can be concluded that five out of ten observed activities have a positive net preference flow. Professional, scientific, and technical activities are the best-ranked economic activity with the highest positive net preference flow. The entrepreneurs from this economic activity have such a favorable position in final ranking due to high liquidity and profitability compared to other analysed economic activities. However, the activity ratios and debt ratios are quite unfavorable, so their future performances should be improved by better assets management and increase equity in order to use as few borrowed financing sources as possible. It is followed by the Administration and support service activities, Construction, Human health and social work activities, and Financial and insurance activities. The good results of entrepreneurs operating in Administration and support service activities result from relatively favorable profitability and debt ratios. Although they have a relatively high rigorous liquidity ratio due to the low level of inventories, their liquidity is not satisfactory due to the slow collection of receivables from customers, which reduces the amount of working capital at their disposal.

Similarly, the entrepreneurs operating in the Construction economic activity owe their favorable position to relatively high profitability and low indebtedness and slightly higher liquidity compared to other observed economic activities. Due to the character of their business operations, before all high levels of fixed assets and long-lasting production, they have unfavourable assets ratios comparing to other economic activities. The activities with a negative net preference flow are at the bottom of this list. These are Transportation and storage, Wholesale and retail trade, repair of motor vehicles and motorcycles, Manufacturing, Agriculture, forestry, and fishing and Accommodation and food service activities. The last two economic activities have significant obstacles in doing business, although the Republic of Serbia has very favorable conditions for developing these economic activities. The limitations of entrepreneurs operating in Agriculture, forestry, and fishing are considerably lower liquidity and profitability than other economic activities. To help these entrepreneurs to overcome these problems, the government should provide them with financial support to procure the necessary equipment. That will enable them to reduce the cost price and achieve higher profitability through higher sales and a greater difference between the selling price and the cost price. It would also have significant positive effects on their liquidity. In the less favorable position are entrepreneurs operating in Accommodation and food service activities, due to even worse results in terms of liquidity and profitability in comparison to those operating in Agriculture, forestry, and fishing. The government should support the liquidity and profitability of these entrepreneurs through adequate credit policy and obtaining government guarantees to increase and improve their capacities and support their networking and joint presence on the international market.

Conclusion

Entrepreneurship development and establishment of new entrepreneur' businesses in the Republic of Serbia are crucially important for the recovery and development of the Serbian economy, increasing employment and improving the national standard of living. The emergence of entrepreneurship has brought many opportunities, which have to be utilized in the right way. To fully exploit the potential for entrepreneurship development, a strategic approach to the development of this economic activity is required.

This research indicated that the number of entrepreneurs' businesses and their employees in the Republic of Serbia increased in 2018 compared to the previous year. It is a step forward in the development of entrepreneurship. However, there is still space for further increase in the number of entrepreneurs' businesses and the number of employees. It should be noted that more than a third of entrepreneurs operate in the economic activity of wholesale and retail trade – repair of motor vehicles and motorcycles. So, it is necessary to change the structure of entrepreneurs' businesses, i.e. increasing the number of them that produce so-called tradable goods and services. It primarily refers to the increase in the number of entrepreneurs operating in Manufacturing, Agriculture, forestry, fishing, and Accommodation and food service activities. Particular attention should be paid to Manufacturing, which has significant potential to increase employment. This potential is indicated by the fact that the share of these entrepreneurs' businesses in 2018 was twice lower than those operating in the Wholesale and retail trade – repair of motor vehicles and motorcycles. However, their share in total employment is slightly higher than in the latter economic activity.

The ratio analysis results indicated that the most favourable outcomes in liquidity and debt management have entrepreneurs operating in the financial and insurance activities economic activity. The most efficient asset management has entrepreneurs in the Wholesale and retail trade – repair of motor vehicles and motorcycles. At the same time, the highest profitability is achieved by entrepreneurs operating in Professional, scientific, and technical activities. According to all analysed indicators, the application of PROMETHEE and the entropy method indicated that entrepreneurs in the economic activity of Professional, scientific, and technical activities have the most favorable business economy. On the other hand, a positive net preference flow was obtained for entrepreneurs operating in Administration and support service activities, Construction, Human health and social work activities, and Financial and insurance activities.

On the other hand, entrepreneurs operating in Accommodation and food service activities have the most unfavorable performance. Keeping in mind the tourist potentials of the Republic of Serbia and the labour-intensive character of this economic activity, it is necessary to provide significant government support to this economic activity to fully exploit the possibilities of this economic activity, increase employment and ensure more balanced regional development. Generally observed, most economic activities with positive net preference flow are from service economic activities. It is necessary to create a

favorable business environment for entrepreneurship development in economic activities that produce and trade goods, which have significant obstacles in doing business.

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